

INFORMATION FROM

REPORT

CD NO.

SUPPLEMENT TO
REPORT NO.

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SOURCE Tikhookeanskaya Zvezda, No 42, 1949. (Information requested.)

Every enterprise receives from the State a fixed sum of working capital (oborotnyye sredstva) to carry out the normal production cycle. In the first stage, the working capital is put into supplies of raw materials, materials for production, and fuel, all of which are to be used in production. In the second stage, working capital takes the form of semifinished production, goods still in the process of being produced. In the third stage, working capital takes the form of finished goods ready for shipment to the consumer. An enterprise's requirements for working capital, in the form of material supplies, depend first of all on the consumption of these supplies in production. The greater the quantity of production, the greater the consumption of material supplies, and thus, the greater is the need for working capital. Requirements of working capital also depend on the frequency with which necessary materials come into the warehouse. If raw materials are brought in every day, then only a one-day supply of materials is needed. If these materials are brought in every 7 days, the enterprise must then have a week's supply. It is in this way that working capital, in the first stage of the turnover cycle, is put into supplies of materials necessary for production.

The second stage covers the entire period of production. The third stage begins with the output of finished goods and ends when they are sold. The volume of working capital is determined by the continuance of the flow of finished goods into the warehouse, by the nature of the production process, by the type of packing necessary for the finished goods, and by the distance of the consumer from the given enterprise. When the production process continues uninterruptedly, working capital maintains a continuous cycle, simultaneously invested in the three turnover stages, transferring from one stage to the next. The faster this transfer from each stage is accomplished, the less working capital is needed by the enterprise for fulfillment of its production plan.

In order to determine to what extent working capital is being utilized effectively, it is necessary to define its relation to the cost of the finished goods. If an enterprise produces 66 million rubles' worth of finished goods in a year and is operating with 13.2 million rubles in working capital, then the

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turnover of working capital is found to be 66:13.2 or five times. That is, for every ruble of working capital, five rubles of finished goods have been produced. The length of time for one complete turnover of working capital is thus 365:5 or 73 days.

There are various methods of speeding the turnover of working capital. Basically, they are related (1) to a decrease in supplies of raw materials, materials for production, fuel, and tools; (2) to a decrease in the time allowed for the production cycle; (3) to completion of finished goods on schedule; and (4) to more rapid shipment of goods to the consumer. (From an article by V. Konyukhov, Senior Engineer under the Representative of the State Planning Commission for Khabarovsk Krai.)

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